



robert huggins
A S S O C I A T E S

Meandros House
54a Bute Street
Cardiff CF10 5AF
Wales UK

Tel +44 (0)29 2066 2554

Fax +44(0)29 2046 3067

Web www.hugginsassociates.com

Email info@hugginsassociates.com

NEWS RELEASE

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NEW EUROPEAN REPORT FINDS THAT THE ECONOMIC GAP BETWEEN THE UK'S REGIONS INCREASED BY 54% DURING THE LAST DECADE

This is one of the findings of a major new report published today by Cardiff-based Robert Huggins Associates, a leading European economic think-tank and consultancy specialising in competitiveness research and founders of the influential *World Knowledge Competitiveness Index* and the *UK Competitiveness Index*.

The *European Futures* report - which is to be launched at the World Future 2003 Conference in San Francisco this week - finds that the economic gap between the UK's regions has increased by a staggering 54% during the last decade, raising considerable issues regarding both European and national policies. The report also finds that between 1994 and 2000 the prosperity gap within Europe's nations increased by 25%, measured by the level of inter-regional variation in the economic performance of Europe's nations.

The report highlights the widening spread in economic performance across the UK, measured in terms of Gross Domestic Product (GDP) per capita. Of the UK's twelve regions, five saw an increase in GDP per capita between 1990 and 2000, led by London (which increased its GDP per capita by 18%), Eastern England (10%) and the South East (7%).

On the other hand, the UK's remaining seven regions all experienced a fall in the GDP per capita during this period, the most affected regions being the North East (-5%), Yorkshire and the Humber (-4%), East Midlands (-4%), the South West (-4%) and Northern Ireland (-4%).

Utilising an economic forecasting model that measures knowledge-based sector activity such as employment, patents, R&D expenditure and property rents, the report predicts that by 2010, the relative economic performance of the UK will increase by 6%.

The key growth regions are predicted to be the South East (18%), Eastern (16%) and the South West (13%). London's relative economic performance is actually forecast to fall by 6% from 145.4 to 136.2. Worryingly, the North East (-3%), Wales (-2%), Scotland (-2%) and Yorkshire and the Humber (-1%) are all forecast to see a continued fall in their performance.

The report finds that those economies which have suffered the biggest widening of their prosperity gaps are Greece, the UK, the Netherlands and Finland. In particular, the fact that the economic gap between the UK's regions has increased by 54% during the last decade raises

considerable issues regarding both European and national policies.

The authors predict that Sweden will be Europe's major success story leading up to 2010, with a 15% increase in its relative GDP per capita. The economic performance, measured by relative GDP per capita, of Europe's other nations are forecast to change as follows during this period: Belgium (-6%); Denmark (-11%); Germany (-6%); Greece (-4%); Spain (+2%); France (+3%); Ireland (+9%); Italy (-4%); Luxembourg (+6%); Netherlands (0%); Austria (-12%); Portugal (5%); Finland (+8%); Sweden (+15%); UK (+6%); Norway (-6%) and Switzerland (-14%).

According to the report, increasing economic division has resulted from a lack of understanding and harnessing of the emergence of the global knowledge economy. The report's principal author, Dr Robert Huggins, states 'Current policy intervention is not sufficiently attuned to facilitating the inclusion of the UK and Europe's most disadvantaged regions with the rapidly changing knowledge economy. The structural funding the European Commission makes available to Europe's least prosperous regions should increasingly require national and regional policymakers to utilise a significant proportion of this funding for public and private sector investment in research and development.'

According to the report, we cannot and should not expect to imitate the way in which the United States has created the world's leading knowledge economy. Dr Huggins states that 'the economic success of United States has mainly been predicated on a model based upon innovations developed and financed by large corporations, along with the spin-out innovation and spend catalysed by the large defence sector. Both the UK and Europe is different –they are economies with a far larger proportion of small and medium sized businesses, resulting in long supply-chains and the relative dispersion of knowledge-based activity'.

One of the report's key recommendations is an increased requirement on public sector funding to be focused upon stimulating R&D investment, as well as entrepreneurship programmes based on establishing knowledge-based businesses that represent a tradable asset for the region and nation within which they are located.

Table: Change in GDP per Capita across Europe's Regions and Nations 1990-2000 – European Average = 100 [EU+ Norway & Switzerland]

UK	GDP per Capita 1990	GDP per Capita Rank (1990)	GDP per Capita 2000	GDP per Capita Rank (2000)	% Change in Index	Change in Rank
North East, UK	80.5	65	76.6	69	-5%	-4
North West, UK	85.3	62	86.2	59	1%	3
Yorkshire and The Humber, UK	90.9	53	87.2	58	-4%	-5
East Midlands, UK	97.1	45	92.8	47	-4%	-2
West Midlands, UK	86.7	61	91.0	50	5%	11
Eastern, UK	93.7	48	102.8	30	10%	18
London, UK	123.5	13	145.4	6	18%	7
South East, UK	102.7	34	109.4	24	7%	10
South West, UK	93.7	49	90.0	53	-4%	-4

Wales, UK	80.5	66	79.7	66	-1%	0
Scotland, UK	97.8	43	96.2	36	-2%	7
Northern Ireland, UK	80.5	67	76.9	68	-4%	-1
UK	99.9		99.2		-1%	

Source: Robert Huggins Associates 'European Competitiveness Index 2003'

Table: Forecast Change in GDP per Capita across the UK's Regions 2000-2010 – European Average = 100 [EU + Norway & Switzerland]

	GDP per Capita 2000	GDP per Capita Rank (2000)	GDP per Capita 2010	GDP per Capita Rank (2010)	% Change in Index	Change in Rank
UK	99.2		104.7		6%	
North East, UK	76.6	69	73.9	76	-3%	-7
North West, UK	86.2	59	91.2	58	6%	1
Yorkshire and The Humber, UK	87.2	58	86.6	61	-1%	-3
East Midlands, UK	92.8	47	100.1	38	8%	9
West Midlands, UK	91.0	50	100.5	37	10%	13
Eastern, UK	102.8	30	119.5	16	16%	14
London, UK	145.4	6	136.2	7	-6%	-1
South East, UK	109.4	24	128.6	10	18%	14
South West, UK	90.0	53	101.7	36	13%	17
Wales, UK	79.7	66	78.4	72	-2%	-6
Scotland, UK	96.2	36	94.6	49	-2%	-13
Northern Ireland, UK	76.9	68	76.8	74	0%	-6

Source: Robert Huggins Associates 'European Competitiveness Index 2003'

Notes to Editors:

Robert Huggins Associates is one of Europe's foremost research house studying national and international competitiveness. This report is one of a series of studies developed by Robert Huggins Associates. Other studies cover European and global competitiveness issues.

Robert Huggins Associates can be contacted on Tel: +44 (0) 29 2066 2554 or +44 (0) 29 2046 3064 or info@hugginsassociates.com. Dr Robert Huggins can also be contacted via cell phone on +44 (0) 797 420 6009.

If would like to receive a full copy of this report, in hard or electronic form, or have any other queries please contact Matt Fido on any of the above contact points or at matt@hugginsassociates.com. Matt can also be contacted via cell phone on +44 (0) 797 064 0798.